

# SELECT COMMITTEE ON EFFICIENCY IN GOVERNMENT

## LCSC03: Pay-for-Performance

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SCEG

MAY 15, 2012

EXHIBIT 3

### Background

The Select Committee on Efficiency in Government authorized the drafting of a bill to establish a pilot project to test a pay-for-performance model for Medicaid providers of children's mental health and foster care services. The bill draft requires the Department of Public Health and Human Services (DPHHS) and a task force to review issues related to developing a pay-for-performance model, requires DPHHS to collect and analyze data, and requires DPHHS to put a pilot project in place by June 30, 2017.

### Reason for the Recommendation

Stakeholders pointed to several reasons for proposing the pilot project, including the federal budget deficit and an interest by the federal government in targeting Medicaid payments to those services and treatments that have proven to be effective. They suggested that a pay-for-performance model would improve the quality of children's mental health services.

### Cost Considerations

The bill draft contains a \$50,000 appropriation to cover the costs of a task force for the biennium. Additional costs are difficult to estimate but may range from about \$40,000 to \$135,000 a year. Costs related to the bill draft would include the items outlined below.

**Task force meeting expenses:** The bill draft requires six meetings per year by a 14-member task force that includes four DPHHS employees. Non-agency members would be reimbursed for travel costs; legislative members would be paid for their time, as well. Current reimbursement rates for travel are \$83 plus tax per night for lodging in Helena, \$23 per day for meals, and 55.5 cents per mile for use of a personal car. Legislative pay is \$82.64 a day.

Task force reimbursement costs could be about \$21,000 per year. The figure assumes that the 10 non-DPHHS task force members would claim reimbursement for one night of lodging, four meals, and a 350-mile round trip for each meeting. It also assumes members will attend all meetings and that reimbursement rates will not increase in the next biennium.

Item	Amount	Unit Cost	Annual Cost
Lodging	60 nights	\$88.81	\$5,329
Breakfast	120 meals	\$5	\$600
Lunch	60 meals	\$6	\$360
Dinner	60 meals	\$12	\$720
Mileage	21,000	\$0.555	\$11,655
Legislative Pay	24 days	\$82.64	\$1,983
			<b>\$20,647</b>

There may be additional task force-related costs for meeting rooms, copies, phone calls, conference calls, and administrative support. The \$50,000 appropriation may adequately cover those costs.

**Public meeting cost:** The bill requires the task force to conduct at least one meeting with Medicaid providers and other interested parties to obtain public comment on the elements that should be included in a pay-for-performance model.

The cost of holding a public meeting could be approximately \$500 to \$1,500. If the meeting is held outside of Helena, there may be minimal costs of up to \$500 associated with renting a suitable meeting room. All task force members, including the four DPHHS members would be compensated for travel costs, resulting in up to another \$1,000 in costs.

**Data collection and analysis:** The bill draft requires DPHHS to collect and analyze pilot project data to evaluate the model's effectiveness and whether the model should be extended to other services, geographic areas, or populations. Estimating the cost of data collection and analysis is difficult without more detail on the extent of the data to be collected and the existing database and analysis capabilities of DPHHS. However, fiscal notes from past sessions for legislation that required data collection included the following items:

- *Personnel costs:* Agencies generally estimate that collecting and analyzing data will require a new part-time or full-time employee. In addition to pay and benefits, agencies factor in the costs of a computer, telephone line, and office space and equipment for the employee. The total cost depends on the employee's salary and scope of duties. Estimates have ranged from \$10,000 for a part-time contract employee who would simply collect data and enter it into a database to \$65,500 for a mechanical engineer to analyze energy efficiency data. Perhaps the most relevant fiscal note information comes from House Bill 399 in 2007. That bill required DPHHS to collect and analyze data related to provider rates, including data from other states. DPHHS estimated that a rate specialist would be hired at a cost of about \$59,000 a year. The agency estimated salary and benefits would total nearly \$49,000 and related office costs would be about \$10,000.
- *Database costs:* DPHHS may incur costs to acquire or create a database specific to the information being collected and the type of analysis to be done. Fiscal notes for similar bills show the costs could range from \$26,000 for modifying existing data repositories to \$72,600 for creating a new database and collecting data.

**Changes to administrative rules:** Reimbursement rates are currently set in administrative rule. The department routinely updates the rules to reflect changes based on the appropriation provided by the Legislature. If additional changes are needed for the pilot project, DPHHS may include those costs in a fiscal note. The Secretary of State's Office charges agencies \$50 per page to publish proposed and adopted rules. Agencies sometimes include in their fiscal notes the cost of attorney time devoted to administrative rule development, at \$90 per hour.

The cost of the rule changes would depend on the number of pages published and the amount of attorney time attributed to rule development.

**Unofficial Draft Copy**

As of: May 1, 2012 (10:14am)

LCSC03

\*\*\*\* Bill No. \*\*\*\*

Introduced By \*\*\*\*\*

By Request of the \*\*\*\*\*

A Bill for an Act entitled: "An Act creating a pilot project to reimburse certain medicaid providers based on performance; creating a pay-for-performance task force; establishing the duties of the task force; providing for public participation in development of a pay-for-performance payment model; requiring data collection; providing an effective date; and providing a termination date."

WHEREAS, state government budgets have come under pressure in recent years because of prevailing national economic conditions; and

WHEREAS, the costs of providing social services makes up a large portion of state government budgets; and

WHEREAS, new approaches to funding social services may result in lower costs and better outcomes over the course of time; and

WHEREAS, research in other states indicates that linking provider payment to desired outcomes and quality improvements results in improved access to care, better care integration and coordination, family-focused planning, earlier and less restrictive interventions, and a reduced number of treatment days.

Be it enacted by the Legislature of the State of Montana:

NEW SECTION.    **Section 1. Performance-based payment pilot project for children's mental health services -- legislative purpose.** (1) The department of public health and human services shall establish a pilot project for paying providers of children's mental health services according to performance-based principles that allow an enhanced payment to providers who demonstrate that the children they serve attain identified outcomes. The department shall develop the pilot project in accordance with the provisions of [sections 1 through 5].

(2) The department shall collect and analyze data related to the pilot project in order to determine its effectiveness and to evaluate whether the use of performance-based payment for services should be extended to other services, geographic regions, or populations.

(3) (a) The purpose of the pilot project is to link the payment for providers with improvements in:

- (i) access to care;
- (ii) integration and coordination of care;
- (iii) the development and use of individualized treatment plans; and
- (iv) efforts to assure recovery and permanent placement for children who are receiving medicaid mental health services or who are in foster care under the supervision of the state.

(b) The legislature shall review the results of the pilot project to determine whether:

- (i) the project should be continued or expanded; and
- (ii) modifications are needed before the pay-for-performance payment model is expanded to additional children, providers, or services.

NEW SECTION. **Section 2. Scope of pilot project.** (1) The pay-for-performance pilot project provided for in [sections 1 through 5] may be designed to include services to children who are:

- (a) enrolled in medicaid or healthy Montana kids; or
  - (b) in foster care under the supervision of the state.
- (2) Providers are eligible to participate in the pilot project if they:
- (a) offer services to children who are seriously emotionally disturbed as defined by the department by rule; and
  - (b) are licensed as:
    - (i) a mental health center as defined in 50-5-101;
    - (ii) a psychiatric residential treatment facility as defined by the department by rule; or
    - (iii) a child-placing agency as defined in Title 52, chapter 8, part 1.
  - (3) The pilot project may be limited in scope to a specific:
    - (a) number of children;
    - (b) geographic area; or
    - (c) children's mental health service region as established by the department.

NEW SECTION.    **Section 3. Task force -- membership -- meetings -- reimbursement.** (1) There is a pay-for-performance task force that shall work with the department to design a performance-based payment system for services provided to children eligible under [sections 1 through 5].

(2) (a) The task force consists of 14 members appointed no later than August 1, 2013, as follows:

(i) eight members appointed by the governor;

(ii) two members of the Montana senate appointed by the senate committee on committees and each representing a different political party; and

(iii) two members of the Montana house of representatives appointed by the speaker and each representing a different political party.

(b) The governor shall appoint as members:

(i) four providers of children's mental health services;

(ii) one family member of a child who has received medicaid mental health services;

(iii) one person who serves as an advocate for children's mental health; and

(iv) four employees of the department of public health and human services.

(3) Task force members shall elect a presiding officer at the first meeting.

(4) (a) Except as provided in subsection (4) (b), the task force shall meet at least six times per year. Meetings must be held in Helena.

(b) Meetings may be held by teleconference. If a majority of the task force determines that the task force is able to accomplish its work through quarterly meetings, the task force may meet four times per year.

(5) (a) Legislative members of the advisory group are entitled to receive compensation as provided in 5-2-301 for each task force meeting.

(b) Except as provided in subsection (4)(c), task force members are entitled to reimbursement for expenses as provided in 2-18-501 through 2-18-503.

(c) Task force members who are full-time salaried employees of the state are entitled to reimbursement for expenses as provided in 2-18-501 through 2-18-503 only for task force meetings that are not held in Helena.

NEW SECTION. **Section 4. Duties of task force.** (1) The pay-for-performance task force shall recommend to the legislature a pay-for-performance payment system to be used for the pilot project provided for in [sections 1 through 5].

(2) The task force shall adopt a short-term work plan and a long-term work plan that outline the scope of work to be completed, including the recommendation of an appropriate performance-based model for the pilot project. Each work plan must include deadlines for completion of each item identified in the work plan.

(3) In recommending a pay-for-performance payment model for children's mental health services, the task force shall take into

consideration:

(a) the current array of children's mental health services allowed for under the Montana medicaid state plan and any data the department of public health and human services has collected regarding the effectiveness of the services;

(b) the degree to which the array and effectiveness of services offered by a provide may factor into the level of pay the provider receives under a pay-for-performance model;

(c) potential incentives for and risks of the pay-for-performance models under review;

(d) existing data that may be relevant to development of the model;

(e) the types of data that must be collected to evaluate the effectiveness of the model; and

(f) the need for changes to the state's information technology systems in order to collect and analyze data.

(4) The task force shall conduct at least one meeting with medicaid providers and other interested parties to obtain comment on the elements of a pay-for-performance payment model that:

(a) will best meet the needs of Montana children; and

(b) takes into account the geographic and demographic features of the state.

(5) The task force shall recommend a model after reviewing, in conjunction with the department:

(a) the current medicaid reimbursement system for the services covered by [sections 1 through 5];

(b) the department's system for collecting data related to



children's mental health services and payments for the services;

(c) performance-based payment models used by other states, including enhanced tier payment systems; and

(d) public comment submitted to the task force.

(6) The task force shall make a recommendation to the 2015 legislature on the scope of the pilot project in accordance with [section 2(3)].

NEW SECTION. **Section 5. Pilot project timeline -- reporting requirement.** (1) The task force shall:

(a) complete the short-term and long-term work plans required under [section 4] by December 2013;

(b) develop proposed legislation that contains a pay-for-performance payment model and identifies other elements of the proposed pilot project for consideration by the 2015 Legislature and implementation on July 1, 2015; and

(c) develop recommendations for the 2017 legislature on the continuation or expansion of the pilot project, based on the collection and analysis of data related to the pilot project.

(2) The department of public health and human services shall provide regular reports to the children, families, health, and human services interim committee on the work of the task force and the status of legislative proposals.

NEW SECTION. **Section 6. Appropriation.** There is appropriated \$50,000 from the general fund to the department of public health and human services for the biennium beginning July

1, 2013, to pay for the task force established in [section 3].

NEW SECTION.    **Section 7.    {standard} Codification**  
**instruction.** [Sections 1 through 5] are intended to be codified  
as an integral part of Title 52, chapter 2, and the provisions of  
Title 52, chapter 2, apply to [sections 1 through 5].

NEW SECTION.    **Section 8.    {standard} Effective date.** [This  
act] is effective July 1, 2013.

NEW SECTION.    **Section 9.    {standard} Termination.** [This act]  
terminates June 30, 2017.

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